

IN THE HIGH COURT OF JUDICATURE AT BOMBAY

CRIMINAL APPELLATE JURISDICTION

CRIMINAL APPEAL NO.351 OF 2013

**M/s.AMIN WAREHOUSING)
Through its Proprietor)
SMT. KHATUNBIBI J. MOHD. YUSUF PATEL)
(Since deceased, Through her Legal Heirs))
1. Mahamad Shafi Mahamad Yusuf Patel)
2. Mahamad Aub Mahamad Yusuf Patel)
3. Abdul Majid Mahamad Yusuf Patel)
4. Mahamad Amin Mahamad Yusuf Patel)
5. Abdil Wahab Mahamad Yusuf Patel)
6. Abdul Rashid Mahamad Yusuf Patel)
7. Mahamd Riaz Mahamad Yusuf Patel)
8. Smt.Khanam Shoukat Patel)
9. Smt.Shamina Ayub Namer)
10. Smt.Khadija Amin Patel)...APPELLANTS**

V/s.

**1. Al FREIGHT INTERNATIONAL PVT. LTD.)
1 (a) Mr.Lordis D'Costa Fernandes
1 (b) Smt.Althiya Lordis Fernandes
2. THE STATE OF MAHARASHTRA)...RESPONDENTS**

Shri Prashant M. Patil i/b. Shri Kuldeep S. Patil, Advocate for the Appellants.

Shri Sandeep Velkar i/b. Shri Raju Gupta, Advocate for Respondent No.1, 1(a) and 1(b).

Shri Deepak Thakre, APP for the Respondent – State.

**CORAM : ABHAY M. THIPSAY, J
RESERVED ON : 23rd SEPTEMBER 2015
PRONOUNCED ON : 10th DECEMBER, 2015**

JUDGMENT :

1 Poor drafting of the complaint and the affidavit of evidence, the ambiguities and vagueness therein, has created problems for the complainant, in what was, otherwise, a simple complaint case in respect of an offence punishable under Section 138 of the Negotiable Instruments Act.

2 The appellant, a proprietary concern, had filed a complaint through the Constituted Attorney (C.A.) of the proprietor, against a private company – the Respondent No.1 herein, and its two directors – the Respondent Nos.1(a) and 1(b) herein, alleging commission of an offence punishable under Section 138 of the Negotiable Instruments Act (hereinafter referred to as 'the Act' or 'the said Act') The complaint related to dishonour of eight cheques, but the Magistrate, after observing that so far as three cheques were concerned, the notice of demand under Clause (b) of the proviso to Section 138 of the Act, was not issued within the statutory period, limited the prosecution of the accused persons only with respect to the remaining five cheques.

3 After holding a trial, the Magistrate passed an order of acquittal of the accused persons. Being aggrieved thereby, the appellant has approached this court by filing the present appeal.

4 I have heard Shri Prashant Patil, learned counsel for the appellants. I have heard Shri Sandeep Velkar, the learned counsel for respondent no.1, 1(a) & 1(b). I have heard Shri Deepak Thakre, the learned APP for the State. I have carefully gone through the complaint, the entire evidence – oral and documentary – adduced during the trial, and the impugned judgment.

5 The learned Magistrate, while acquitting the accused persons, *inter alia* observed that the complaint was not maintainable, as the offence had been committed by a company, and that, the company was not arraigned as an accused.

6 The Magistrate also made certain other observations on the merits of the matter, in coming to the conclusion that the

accused persons deserved to be acquitted. However, before going into those aspects, it would be necessary to see whether the company had, infact, been made an accused or not.

7 The title of the complaint filed by the appellants (hereinafter referred to as the complainant) is as under :

अल फ्रेट इंटरनॅशनल प्रा.लि., तर्फे डायरेक्टर
 १. श्री.लॉर्डिस डिकोस्टा फर्नांडिस, वय — सज्ञान,
 २. श्रीमती. अल्थीया लॉर्डिस फर्नांडिस, वय — सज्ञान,
 ऑफिस पत्ता — ८५/८६, चंद्रमुख इस्टेट,
 अगरवाल ट्रेड सेंटर, प्लॉट नं.६२, सेक्टर क्रं.११,
 सी.बी.डी.बेलापूर, नवी मुंबई.

Translated in English, it would read thus :

On behalf of Alfred Pvt. Ltd., Director
 1. Shri Lordis D'Costa Fernandes,
 2. Smt. Althiya Lordis Fernandes,
 Office Address - 85/86, Chandramukh Estate
 Agarwal Trade Centre, Plot No.62,
 Sector No.11, C.B.D. Belapur, Navi Mumbai.

8 A reading of the complaint shows that sometimes a plural expression 'ते' (they) has been used while referring to the

accused, and sometimes a singular expression has been used (आरोपीने).

9 Paragraph 12 of the complaint reads as under :

या फिर्यादीचे म्हणणे असे की, आरोपी ही एक प्रायव्हेट लिमिटेड कंपनी असून, आरोपी क्रमांक १ व २ हे सदर कंपनीचे संचालक असून, सदर कंपनीचा दैनंदिन कारभार चालवित आहे. तसेच, सदर कंपनीचे वतीने भाड्याचे थकित रक्कमेपोटी आरोपीने चेक्स अदा केल्यामुळे त्यांस सदर फिर्यादीमध्ये आरोपीपणात सामील केले आहे. तसेच, सदरहू चेकमधील रक्कम ही, “लिंगली इतफोरसिएअल डेब्ट” असल्याने आरोपीने सदर रक्कम फिर्यादीस देणे कायद्याने बंधनकारक आहे.(Emphasis supplied)

Translated in English, it would read thus :

“The complainant states that the *accused is a private limited company*, and the accused nos.1 and 2 are the directors of the said company, and are looking after the day to day business of the said company. Moreover, the accused having issued the cheques towards the arrears of rent on behalf of the company, *they have been included in the complaint as accused*. Moreover, the amount of the cheque being legally enforceable debt, it is

legally binding upon the accused to pay the said amount to the complainant.”

(Emphasis supplied)

10 In the affidavit of evidence filed on behalf of the complainant, it is mentioned as follows :

आरोपी ही एक प्रायव्हेट लिमिटेड कंपनी असून, आरोपी क्रमांक १ व २ हे सदर कंपनीचे संचालक असून, सदर कंपनीचा दैनंदिन कारभार चालवित आहे. तसेच, सदर कंपनीचे वतीने थकीत लायसन्स फीचे रक्कमेपोटी आरोपीने धनादेश अदा केल्यामुळे व सदर धनादेशावर त्यांच्या सहया असल्यामुळे, त्यांना सदर केसमध्ये आरोपीपणात सामील केले आहे. तसेच, सदर धनादेशामधील रक्कम ही, “legally enforceable debt” असल्याने आरोपीने सदर रक्कम मला देणे कायद्याने बंधनकारक आहे.

Translated in English, it would read thus :

“The accused is a private limited company and the accused nos.1 and 2 are the directors of the said company, and are looking after the day to day business of the company. Moreover, the accused having issued the cheques towards the

arrears of license fees and the cheques having been signed by them, they have also been included in the complaint as accused. Moreover, the amount in the cheque being legally enforceable debt, it is legally binding upon the accused to pay the said amount to me.

11 It is not possible to accept that the complaint has not been made against the company – Al Freight International Private Limited, who had drawn the cheques in question. It is clear that the complainant has categorically stated that the accused was a private limited company, and that, the accused nos.1 and 2 were being prosecuted as the directors thereof, and on the assertion that they had been looking after the day to day business of the said company. It has also been asserted in the complaint that the cheques had been signed by the said directors i.e. the accused nos.1 and 2.

12 The whole confusion that arose in the mind of the Magistrate is because of the fact that in the cause title of the complaint, though the company Al Freight International Pvt. Ltd.

has been mentioned as an accused, the same has not been described by giving a serial number. The usual practice while drafting pleadings and complaints is to give serial numbers to a particular category of the parties to the suit or prosecution. Thus, if there would be three plaintiffs, they would be described by giving serial numbers as 1, 2 and 3 to them. If there would be three defendants, they would also be similarly described as defendant no.1, 2 and 3. If there would be more accused, a separate serial number would be given to each of them. In the instant case, serial numbers have been given only to the directors. Serial no.1 finds a place on the left side of the name of accused Lordis Fernandes and serial no.2 finds a place on the left side of the name of accused Smt.Althiya Fernandes. Since only serial numbers 1 and 2 are mentioned, the Magistrate appears to have thought that there were only two accused in the case, i.e. those against whose names, serial numbers had been mentioned. It is true that the complainant ought to have given a serial number to the private limited company also, but just by reason of the number having not been given, it cannot be said that the complaint had

not been filed against the company, or that, the company was not being prosecuted at all. The Magistrate should have looked at the complaint and on a bare reading of the complaint, and more particularly, paragraph 12 thereof (reproduced above) it should have been obvious to him that the company was said to be the main accused as per the complaint. It also should have been obvious to him that, the accused nos.1 and 2 were alleged to be liable for the offence in question, on the basis that they were the directors of the said company, and that, they were running the day to day business / affairs of the said company. Thus, the finding that 'the company was not being prosecuted, and that, therefore, the directors thereof could not be prosecuted', as recorded by the Magistrate, is not correct. This was a case where the company was being prosecuted. It had been specifically mentioned to be the accused in the complaint, though no serial number had been mentioned against the name of the company while putting it in the caption “**accused.**” The doubt in that regard, if any, further stands removed if the notice of demand given under Clause (b) of proviso to Section 138 of the Negotiable Instruments Act (Exhibit

53) is studied. This notice is addressed to the company Al Freight International Pvt. Ltd. The addressee is described as follows :

“To,
Al Freight International Pvt. Ltd.,
Through Its Directors.
1) Mr.Lourdes D’Costa Fernandes
2) Mrs. Althiya Lourdes Fernandes
Office at 85/86, Chandramukh Estate,
Agarwal Trade Center, Plot No.62,
Sector 11, CBD, Belapur,
Navi Mumbai.”

This notice was replied by a letter dated 29th March 2008 by the company Al Freight International Pvt. Ltd. The reply is on the letter head of the said company and purports to have been signed by its Managing Director (Exhibit 57) “**for**” the company. This, and the expression “we” used in the reply, leaves no manner of doubt that not only the notice of demand was in fact, issued to the company, but was also treated and understood as such, and replied to by the company itself.

13 There can be no doubt that the company *was* said to be an accused, that the complaint stated so, and that, the company *was* being prosecuted. In spite of there being direct

assertions in the complaint to that effect, the learned Magistrate wrongly held that the company had not been made an accused, and that, therefore, its directors simplicitor could not be prosecuted for the offence allegedly committed by the company. The Magistrate appears to have been misled only by the fact that no serial number was mentioned against the name of the company, while putting it in the caption “**accused.**”

14 It is, thus, clear that the finding recorded by the Magistrate that the complaint was not maintainable by reason of the company not having been made an accused, is incorrect, and needs to be interfered with.

15 The other reason leading to the acquittal as given by the Magistrate, and as is found in the impugned judgment, is that, 'the complainant had failed to prove that the cheques in question had been issued in discharge of a legally enforceable debt, or other liability'. This finding of the Magistrate also does not appear to be correct and needs to be interfered with.

16 The case of the complainant is that the complainant owns a certain property i.e. non-agricultural land bearing Gat No.55 at Mouje Khairne, Taluka Parnel, District Raigad. That, the accused persons are doing the business of maintaining a warehouse, and that, at the material time, the said business was being carried out in the name of Al Freight International Pvt. Ltd. That the accused required big places for storing the goods in connection with their business. That, in February 2004, the accused approached the complainant and requested for a certain land admeasuring about 12 acres, from out of the aforesaid land, to be given to them on leave and license basis. That, accordingly, as per the oral agreement between the parties, the complainant gave the land on leave and license basis to the accused by handing over its possession in the first week of March 2004. That, thereafter, the accused had been paying the rent/license fee/compensation (hereinafter referred to as “compensation”) in respect of the occupation of the said place regularly, but since July 2007 the accused stopped paying the compensation. That, as per the oral agreement, for a period from 2007 to 2008, the monthly

compensation in respect of the said land was fixed as Rs.3 Lac. That, after the accused stopped paying the compensation in July 2007, the complainant repeatedly approached the accused and demanded the arrears of compensation. Ultimately, in February 2008, eight cheques towards the arrears of rent were given by the accused in favour of the complainant. The details of the cheques – eight in number – are given in paragraph 5 of the complaint. The three cheques which were dated 7th February 2008, were dishonoured on 8th February 2008, and the intimation with respect to the dishonour was received by the complainant on 11th February 2008. The remaining five cheques were dishonoured on 11th February 2008, and intimation in that regard, was received by the complainant on 14th February 2008.

17 It may be recalled that the notice of demand with respect to the three cheques dated 7th February 2008 was held to have been given not within the statutory period, and the learned Magistrate confined the prosecution of the accused persons only with respect to the remaining five cheques.

18 *Thus, the cheques had been issued, as per the complaint, towards the arrears of the compensation payable by the accused for using the land belonging to the complainant.* In his evidence, the complainant gave evidence consistently with the averments in the complaint.

19 In the cross-examination, it was suggested to the complainant's witness that the accused had never taken any place on rent (or license), and that the accused were not liable to pay any amount to the complainant, which suggestion was denied by the complaint's witness.

20 Apart from its Constituted Attorney, the complainant examined two more witnesses in support of its case. The second witness Aira Bhaskar Rao is an employee of the Syndicate bank who had produced the papers relating to the cheques issued by the accused Al Freight International Pvt. Ltd. in favour of the complainant Amin Warehousing Pvt. Ltd. His evidence, among

other things, shows that *during the period from 2006 to 2008, Al Freight International Pvt. Ltd. had issued a number of cheques in favour of Amin Warehousing Pvt. Ltd. and the said cheques were honoured.* This evidence has not been challenged. The suggestions given to this witness in the cross-examination are that the statement produced by him, is not in accordance with Banker's Book Evidence Act, that the statement does not mention about the cheques which are the subject matter of the case, etc. The examination does not touch the aspect of a number of cheques having been issued by the accused – Al Freight International Pvt.Ltd – in favour of the complainant – Amin Warehousing Pvt.Ltd – during the period from 2006 to 2008 and of the cheques having been honoured.

21 The third witness examined by the complainant is Arun Shankar Kulkarni – retired public servant – who had been working as the Licensing Authority and Assistant Commissioner, Food and Drugs Administration. His evidence shows that the accused nos.1 and 2 had, on behalf of Al Freight International Pvt.

Ltd., applied for a license to store and sell vegetables and bakery products. This witness had visited the place i.e. the place at Khairne village and had noticed that a warehouse had been built on the land and vegetables and bakery products were being stored at the said warehouse. The suggestions, that he had not inspected the premises, and that, the accused persons had not at all applied for the license, as put to him in the cross-examination, were denied by him.

22 The Magistrate disbelieved that the complainant had given land to the accused on leave and licence basis, and that the accused had been using the same for the purpose of their business. He discarded the evidence of the third witness A.S. Kulkarni on grounds which are not at all reasonable. The Magistrate noted that Kulkarni had stated about his visit to the place, and had also produced in evidence, a copy of the original licence (Exhibit 79) which had been issued under his signature in favour of the accused, but strangely, observed that 'Kulkarni had not produced any document to show that the accused had applied for

permission', or had produced '*No Objection*' certificate of the land owner or Gram Panchayat. The Magistrate ignored the statement made by Kulkarni in his evidence that those documents had been destroyed by his office. The Magistrate, in his anxiety to discard the evidence of Kulkarni, further observed that the licence (Exhibit-79) showed that it had been issued in favour of '*M/s.Alfide International Private Ltd*', whereas the name of the Company of the accused was '*M/s.Al Freight International Pvt.Ltd*'. The Magistrate also noted that the name of the accused no.1 in the said licence had been shown as 'Lodus' (लोडस), whereas his name as shown in the complaint was "Lordis" (लॉर्डिस). The Magistrate then observed thus :-

“Therefore, by no stretch of imagination it can be said that the present permission produced on record by the witness Kulkarni is of the Company from whose account the cheques in question are issued”.

23 Indeed, the approach of the Magistrate and these findings arrived at by him are perverse. The Magistrate overlooked that the other particulars mentioned in the said licence

tallied with the facts of the case as put forth by the complainant. The Magistrate also overlooked that witness Kulkarni was not at all questioned in the cross-examination about the discrepancies, which were perceived by the Magistrate and mentioned by him only in the judgment. *Did the Magistrate seriously think that there was another Company by name 'Alfide International Pvt.Ltd' and that such Company had obtained a licence for a warehouse in the same place, which according to the complainant, was given by him to the accused?* Did he really think that the names of the Directors of the 'Alfide' Company and that of the accused Company were also same except for small difference in the first name of one of the Directors i.e. 'Lodus' instead of 'Lordis' ? If the Magistrate thought such a coincidence possible, and rationally entertained a theory that “the licence had been issued to some other Company whose name – incidentally – was similar to that of the accused Company, and that the names of its Directors also were similar to the Directors of the accused Company, except for a small difference between the first name of one of the Directors i.e. 'Lodus' instead of 'Lordis'”, then it is rather unfortunate.

24 The Magistrate also totally ignored and brushed aside the evidence of the second witness Aira Bhaskar Rao, which showed that during the period from 2006 to 2008, '*Al Freight International Pvt.Ltd*' had issued a number of cheques in favour of '*Amin Warehousing*' and that *all these cheques had been honored*. It did not occur to the Magistrate as to 'for what purpose the said cheques had been given if at all there had been no transaction between the complainant and the said *Al Freight International Pvt.Ltd*'.

25 The Magistrate made certain observations in his judgment while dealing with the point no.1 for determination as framed by him. The said point was framed as 'whether complaint filed by the complainant is maintainable', which has been answered, as aforesaid, in negative by the Magistrate. While arriving at such a negative finding, the Magistrate discussed the validity of the leave and licence agreement that, which according to the complainant was entered into between the parties. The Magistrate expressed 'surprise' over the claim that the leave and

licence agreement was oral, and held that the evidence regarding the oral agreement was not admissible, and that the theory of the complainant about the oral agreement could not be accepted. This is also perverse. If inspite of the evidence of Kulkarni and inspite of the statement of account produced by two witnesses Aira Bhaskar Rao, the Magistrate did not believe that there was some transaction between the complainant and the accused, then the conclusion arrived at by him must necessarily be termed as perverse. The Magistrate simply did not consider as to for what purpose, if there was no transaction between the complainant and the accused, the accused had been *repeatedly* giving cheques to the complainant which cheques had been honoured, and the complainant had received payment in respect thereof. Even if the Magistrate was of the view that oral agreement for leave and licence was not permissible, and that such agreement was void, he could not have overlooked the provisions of section 65 of the Contract Act. The question was whether the accused had, in fact, been using the land of the complainant for the purpose of running a warehouse thereon as per the agreement entered into by and

between the parties. There was sufficient evidence to indicate that the accused had been using the land of the complainant, had been paying therefor; and it is only for a certain period that the payment of the compensation could not be made because of the dishonour of the cheques in respect of which complaint came to be filed. When the accused were using the land of the complainant, it cannot be said that that they were not liable to pay compensation for such use and that 'the cheques issued by them had not been in discharge of a legally enforceable liability.'

26 In this case, there was sufficient and satisfactory evidence that there was a transaction between the parties whereby the complainant had given their land to the accused for running a warehouse thereon. The fact that the accused, in the past, had issued cheques towards the compensation payable for the use and occupation of such land of the complainant, supported the theory of the cheques (which are the subject matter of the complaint in question), having been issued towards the rent/compensation for the use and occupation of the said land by the accused.

Significantly, the accused did not suggest as to for what purpose, and under what circumstances the cheques had been issued, if they had not been issued towards compensation. In appreciating the evidence, the Magistrate totally overlooked the provisions of section 139 of the Negotiable Instruments Act. The finding arrived at by the Magistrate that, 'that cheques had been issued in discharge of a legal enforceable debt or other liability was not proved', is patently incorrect and rather perverse.

27 There is not even internal and logical consistency in the judgment rendered by the Magistrate, inasmuch as if he was of the view that there was absolutely no connection between the complainant and the accused, he ought to have thought of some plausible reason or explanation of the cheques that had been given to the complainant by the accused. It may be observed that no plausible theory for having issued the cheques was put forth by or on behalf of the accused and all that was done was a simple denial of each and every fact including the fact of having issued the cheques itself, though in their examination under section 313

of the Code, the accused have themselves stated that the cheques had been issued by the Company - Al Freight International Pvt. Ltd. They have also not commented upon the statement of account filed by the second witness Aira Bhaskar Rao, showing that a number of cheques had been issued by the Company 'Al Freight International Pvt.Ltd' in favour of 'Amin Warehousing' and that all the cheques had been honoured.

28 The denial of the accused persons is *ex-facie* false.

29 In the cross-examination, it was suggested to the witness – Constituted Attorney of the complainant – that the signature on the cheques in question was not of the accused. It was also suggested that there was no transaction between the complainant and the accused. These suggestions have been denied by this witness and the matter was left at that by the cross-examiner. The evidence shows that to the demand notice (Exhibit-53) issued on behalf of the complainant to the accused Company – Al Freight International Pvt.Ltd – and its two Directors Lordis Fernandes and Althiya Fernandes through the complainant's

Advocate, a reply was given by the accused by a letter dated 29th March 2008 (Exhibit-57). In this letter, that there was a transaction between the complainant and the accused has clearly been admitted. There is no denial of having issued the cheques to the complainant. *The dispute raised vide this reply to the notice is entirely different; and the substance thereof is that the accused had been spending considerable amounts to develop the land in question, and had invested their own monies for the development of the said land. That, the complainant – Amin Warehousing Pvt.Ltd – had secured benefits because of the amounts paid and invested by the accused, but the accused had not received the expected benefits. An offer has been given in the reply (Exhibit-57) that 'there should be proper documentation of the transactions, and that after reconciling the account statement, the amounts payable to Amin Warehousing, could be paid.'* It is possible that there is some dispute between the complainant and the accused, and it is also possible that according to the accused, the complainant has not acted as per the understanding between the parties. However, inspite of giving such a reply to the notice of demand, the accused have not

explored this aspect of the matter during the trial. They have not tried to show – or even barely assert – that there was some other explanation behind the issuance of the cheques, or that there was some other reason for not paying the amount of the cheques. If that was so, the accused were required to render such a theory *probable or plausible*, but the accused have resorted to false and vague denials. They even denied having replied to the demand notice, obviously to wriggle out of the admissions contained therein. They went to the extent of denying the issuance of cheques or their signatures on the same. It would mean that the complainant had forged not only the cheques, but also forged another document (Exh.57) purporting to be the reply of the accused to the demand notice under clause (b) of the proviso to Section 138, but the accused would not do anything about such serious offences committed by the complainant and would only be satisfied by denying everything. This is absurd. If the complainant wanted to create a forged document purporting to be the reply of the accused to the demand notice just to show admissions of the accused, the complainant would have made

many more serious and damaged admissions therein. When the complainant's case was categorical, the bare denials of the accused would not be sufficient to raise a doubt about the truth of the complainant's version when the testimony of the witnesses examined by the complainant supported the theory of the complainant, and the story of the complainant was not shaken in any manner by the cross-examination.

30 In my opinion, the complainant had been successful in establishing its case against the accused persons. The finding of the Magistrate that the Company 'Al Freight International Pvt.Ltd' had not been made an accused, was as discussed earlier, was patently incorrect, and thus, the question of the complaint not being maintainable on that account, did not arise. Further, the Magistrate's conclusion that there was no transaction between the parties and that therefore, the cheques had not been proved to have been issued in discharge of a legal enforceable debt or other liability, was also patently incorrect. This was a case where the Magistrate should have held the accused guilty.

31 The order of acquittal passed by the Magistrate being contrary to law, needs to be interfered with.

32 Appeal is allowed.

33 The impugned judgment and the order of acquittal is set aside.

34 The un-numbered accused i.e. the Company 'Al Freight International Pvt.Ltd', as also the accused no.1 – Mr.Lordis D'Costa Fernandes and the accused no.2 – Mrs.Althiya Lordis Fernandes are convicted of an offence punishable under section 138 of the Negotiable Instruments Act, and each of them is sentenced to pay a fine of Rs.5,00,000/- (Rupees Five Lac only). In default of payment of fine, the accused no.1 – Mr.Lordis D'Costa Fernandes and accused no.2 – Mrs.Althiya Lordis Fernandes shall suffer SI for a period of six months.

35 If the amount of fine is realised, an amount of Rs.14,00,000/- (Rupees Fourteen Lac only) therefrom shall be paid to the legal heirs of the original complainant.

36 Appeal is disposed of in the aforesaid terms.

(ABHAY M. THIPSAY, J)

CERTIFICATE

***Certified to be true and correct copy of the original signed
Judgment/Order.***